



To: Massachusetts Advanced Biofuels Task Force

From: Michael Rennicke - Vice President & General Manager

Date: March 11, 2008

Re: Testimony pertaining to Biofuel Task Force

Subject: Response to the Draft Summary and Recommendations

Upon reviewing the Draft Summary Recommendations of March 6, 2008 I would like to the following observations, recommendations and suggested actions:

Overview: The Pioneer Valley Railroad is actively pursuing partners to form a viable and sustainable marketing and distribution system for biofuels in Massachusetts. We are working with some of the largest producers, brokers, retail distributors and high volume end users of biofuel products. The majority of this product will come from established facilities using soy as their primary feedstock. We are also in discussion with other sources for transporting different types of feedstocks into the state such as yellow grease. Our efforts revolve around the further development of an existing storage and transfer site in Holyoke. This facility is rail served, in operation and uses existing steam heat from the local utility. We have partnered with a variety of entities involved in trucking, marketing, retail distribution and steam production. We are also working closely with the City of Holyoke to make sure these projects fit their growth and development plans.

Our overall approach is to take advantage of the totally underutilized capacity that exists in the biofuel industry today and build a sustainable and profitable distribution network around our rail operations. Regardless of the future direction of the production and the many potential advances noted we believe there are substantial environmental and economic gains to be garnered right now. We plan on having our expanded operation on line in 2008. All of this infrastructure will be needed regardless of what type of future production, incentives or other changes in this emerging technology occur. The simple need to get the product to the end user changes little and should be built now.

Specific Comments: Chapter 1: I certainly compliment the optimistic views that the economic benefits will come from technology development, use of biomass feedstock and the creation of processing facilities using cellulosic materials. There are substantial

economic gains that can be secured today by replacing increasingly large amount of petroleum with existing biofuels. As fuel will soon surpass \$4.00 per gallon and continue its escalation the value of available product will rise dramatically. Positioning ourselves to take advantage of this savings now is essential. The production capacity in Massachusetts today and into the near future is insignificant compared to what is available in the marketplace presently. (see power point statics)

Chapter 3: I agree totally with the statement, "In comparison with other states, Massachusetts is not a large agricultural producer, and so has limited potential to benefit economically from 'first generation' crop-based biofuels such as corn and soy. Our state, and the Northeast, have greater potential to provide 'second generation' cellulosic feedstocks such as forest residues and wood from managed forests." This concept fits our state very well considering our educational excellence and research capabilities. It should not prevent us from acting now to begin taking advantage of what is available and to build the infrastructure that will be needed for the future generation of products as well as today's.

Chapter 4: One of the largest potential areas that could be impacted by the increased use of biofuels is its use along with existing petroleum products such as #6 and #4 oils. The volumes here are enormous and the environmental impacts impressive and available today. The inclusion of this segment does require regulatory flexibility to allow the permitted users to switch to the cleaner fuels without jeopardizing their existing ability to burn a specific, regulated product. This concept should be scrutinized and acted upon in the near term to allow this process to move forward.

Chapter 4, section D: I disagree with connecting mandates to products that are locally produced. Massachusetts will not become a significant supply source regardless of the feedstock due to its geographic size and limited land for production of feedstock being wood or other cellular materials. We should broaden this concept to all products that create a positive impact on the Carbon Standards.

Chapter 5, section A: I strongly agree with the need to assist in developing the storage and distribution of biodiesel and other mixed fuels. Again, virtually all of the biofuel and ethanol moves via rail. The assistance to rail infrastructure is virtually non-existent in Massachusetts.

Chapter 5, section E: The Pioneer Valley Railroad and its partners already have in place and are planning the expansion of steam heated tanks for the use in biofuel storage and blending. We have a multi-faceted plan in process that will meet these needs. Incentives would certainly aid in this process.

Comments and Recommendations from my testimony of January 29, 2008:

- A. Railroads are an integral and necessary part of the Biofuel Industry throughout our country and should therefore be considered as part of any growth here in Massachusetts.

- B. Railroads provide dramatic increases in economic efficiency, environmental improvements and future capacity.
- C. The development and growth of the Biofuel Industry in the Commonwealth will be economically and competitively challenged without the inclusion of an active and robust rail network.
- D. Existing policies, laws and regulation create an atmosphere opposed to the growth of rail infrastructure in Massachusetts.
- E. An open, realistic and productive dialog must be undertaken to help formulate a more business friendly environment upon which we can build the Biofuel Industry in our State.
- F. The Pioneer Valley Railroad is actively involved in several potential projects and can bring vital and practical experience to the Task Force.
- G. The City of Holyoke, being an excellent candidate for economic development and revitalization, is an active partner in the PVRR's industrial development efforts and should be considered for potential site placement.
- H. It is my opinion that the Task Force needs to also focus on the transportation, storage and distribution aspects of the Biofuel Industry. These segments are not developed at this point. Without a significant amount of study, design and public/private collaboration this vital link will thwart the academic, innovative, and production goals of the program.
- I. I would recommend the inclusion of the Executive Office of Transportation in the workings of this Task Force. I would suggest that either Undersecretary Cahir or Stern be contacted. I would also suggest that the newly appointed Manager of Rail, Timothy Doherty be invited to comment.
- J. The Pioneer Valley Railroad is extremely interested in participating in this process and welcomes whatever level of involvement that might be indicated.

Respectively submitted:

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Michael Rennie  
Vice President and General Manager.